



MIAMI BEACH

OFFICE OF THE CITY MANAGER

NO. LTC # 100-2013

LETTER TO COMMISSION

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CITY CLERK'S OFFICE

TO: Mayor Matti Herrera Bower and Members of the City Commission

FROM: Kathie G. Brooks, Interim City Manager *KGB*

DATE: March 25, 2013

SUBJECT: Health Care Costs – January 1, 2012 through December 31, 2012

This purpose of this Letter to the Commission is to provide the status of the City's health care fund for its self-insured medical plan. Initial estimates provided by Gallagher Benefit Services (Gallagher Benefits), the City's benefits consultant as of September 6, 2012 projected total medical plan costs of \$19 million with projected premium collection (both employee and City premium contributions) of \$17.1 million. This resulted in plan underfunding of \$1.072 million for the plan year January 1 through December 31, 2013. This projection was based on the prior twelve months of actual claims experience from September 2011 through August 2012 and included the plan's fixed costs for administration, stop-loss premium, banking fees and staff salaries. To help offset the plan's underfunding, the City contributed an additional \$1.2 for the Fiscal Year 2011/12.

Subsequently, on February 22, 2013, a revised quarterly review was provided by Gallagher Benefits, which assessed actual claims experience for the full plan year, (January 1, 2012 through December 31, 2012). Based on the updated report, the total projected medical plan costs were revised to \$17.3 million, and a total plan funding of \$17.8 million, resulting in a surplus of \$503,700 for the 2012 plan year. The attached chart provides a comparison of plan costs by year. This projection reflects a significant reduction in total claim costs for the year, particularly for the months of August through December when compared with the same period of time in 2011.

The issue of the medical plan funding and premium rates was referred to the Budget Advisory Committee (BAC) for review and recommendation. The Administration has been working with Gallagher Benefits to identify alternatives to the City's current medical plan options, including reviewing various components of the plan to determine opportunities for cost and risk reductions, such as considering changes in plan benefits and increasing cost-sharing with employees. In addition, the BAC will also be comparing the City's plans to other employers (both in the private and public sectors) to determine plan efficiencies. The BAC will be presenting their recommendations to the City Commission during a Special Commission Workshop this summer.

Should you have any questions or need additional information please feel free to contact me.

KGB/CG/sr

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City Of Miami Beach
MEDICAL AND RX CLAIM STATUS - GROSS CLAIMS
 January 1, 2008 - December 31, 2012

MONTH	ENROLLEES	RX CLAIMS	MEDICAL & OTHER CLAIMS	TOTAL CLAIMS	PEPM CLAIMS	YTD PEPM Claims	% CHANGE
Jan-08	1,629	\$ 260,871	\$ 570,462	\$ 831,333	\$ 510.33	\$ 510.33	
Feb-08	1,625	\$ 231,907	\$ 661,486	\$ 893,393	\$ 549.78	\$ 530.03	
Mar-08	1,627	\$ 260,076	\$ 668,888	\$ 928,964	\$ 570.97	\$ 543.68	
Apr-08	1,644	\$ 261,372	\$ 877,720	\$ 1,139,092	\$ 692.88	\$ 581.27	
May-08	1,641	\$ 283,567	\$ 753,494	\$ 1,037,061	\$ 631.97	\$ 591.46	
Jun-08	1,642	\$ 273,397	\$ 495,849	\$ 769,246	\$ 468.48	\$ 570.87	
Jul-08	1,644	\$ 273,155	\$ 612,844	\$ 885,999	\$ 538.93	\$ 566.28	
Aug-08	1,645	\$ 281,051	\$ 721,430	\$ 1,002,481	\$ 609.41	\$ 571.70	
Sep-08	1,641	\$ 278,251	\$ 789,802	\$ 1,068,053	\$ 650.85	\$ 580.51	
Oct-08	1,646	\$ 305,497	\$ 805,205	\$ 1,110,702	\$ 674.79	\$ 589.99	
Nov-08	1,643	\$ 289,477	\$ 675,277	\$ 964,754	\$ 587.19	\$ 589.73	
Dec-08	1,640	\$ 294,843	\$ 703,341	\$ 998,184	\$ 608.65	\$ 591.31	
Jan-09	1,674	\$ 258,193	\$ 201,969	\$ 460,162	\$ 274.89	\$ 274.89	
Feb-09	1,652	\$ 268,480	\$ 595,233	\$ 863,713	\$ 522.83	\$ 398.04	
Mar-09	1,645	\$ 292,930	\$ 742,507	\$ 1,035,437	\$ 629.44	\$ 474.62	
Apr-09	1,645	\$ 286,029	\$ 1,007,809	\$ 1,293,838	\$ 786.53	\$ 552.17	
May-09	1,643	\$ 287,017	\$ 842,146	\$ 1,129,163	\$ 687.26	\$ 579.04	
Jun-09	1,643	\$ 292,511	\$ 1,100,675	\$ 1,393,186	\$ 847.95	\$ 623.66	
Jul-09	1,636	\$ 279,773	\$ 930,652	\$ 1,210,425	\$ 739.87	\$ 640.14	
Aug-09	1,633	\$ 282,483	\$ 906,994	\$ 1,189,478	\$ 728.40	\$ 651.08	
Sep-09	1,629	\$ 265,927	\$ 743,612	\$ 1,009,539	\$ 619.73	\$ 647.63	
Oct-09	1,616	\$ 304,911	\$ 1,223,701	\$ 1,528,611	\$ 945.92	\$ 677.00	
Nov-09	1,619	\$ 273,453	\$ 1,054,942	\$ 1,328,394	\$ 820.50	\$ 689.88	
Dec-09	1,613	\$ 290,093	\$ 816,043	\$ 1,106,136	\$ 685.76	\$ 689.54	
Jan-10	1,658	\$ 276,826	\$ 669,370	\$ 946,196	\$ 570.68	\$ 570.68	
Feb-10	1,657	\$ 281,298	\$ 810,796	\$ 1,092,094	\$ 659.08	\$ 659.08	
Mar-10	1,638	\$ 291,608	\$ 1,054,611	\$ 1,346,219	\$ 821.87	\$ 740.00	
Apr-10	1,635	\$ 308,768	\$ 994,522	\$ 1,303,290	\$ 797.12	\$ 758.95	
May-10	1,631	\$ 287,161	\$ 863,036	\$ 1,150,197	\$ 705.21	\$ 745.59	
Jun-10	1,628	\$ 291,880	\$ 761,037	\$ 1,052,917	\$ 646.75	\$ 725.94	
Jul-10	1,621	\$ 290,191	\$ 724,458	\$ 1,014,649	\$ 625.94	\$ 709.42	
Aug-10	1,618	\$ 301,434	\$ 905,948	\$ 1,207,382	\$ 746.22	\$ 714.63	
Sep-10	1,609	\$ 285,811	\$ 1,009,175	\$ 1,294,986	\$ 804.84	\$ 725.76	
Oct-10	1,606	\$ 300,222	\$ 852,500	\$ 1,152,722	\$ 717.76	\$ 724.88	
Nov-10	1,597	\$ 291,526	\$ 1,111,306	\$ 1,402,832	\$ 878.42	\$ 739.98	
Dec-10	1,593	\$ 305,607	\$ 1,230,525	\$ 1,536,132	\$ 964.30	\$ 760.02	
Jan-11	1,609	\$ 296,224	\$ 799,660	\$ 1,095,883	\$ 681.10	\$ 681.10	
Feb-11	1,596	\$ 264,929	\$ 913,235	\$ 1,178,164	\$ 738.20	\$ 709.53	
Mar-11	1,597	\$ 325,659	\$ 1,089,166	\$ 1,414,825	\$ 885.93	\$ 768.19	
Apr-11	1,597	\$ 323,540	\$ 1,451,736	\$ 1,775,276	\$ 1,111.63	\$ 853.91	
May-11	1,591	\$ 285,873	\$ 1,076,228	\$ 1,362,101	\$ 856.13	\$ 854.35	
Jun-11	1,588	\$ 304,530	\$ 1,020,688	\$ 1,325,218	\$ 834.52	\$ 851.06	
Jul-11	1,586	\$ 316,059	\$ 1,067,555	\$ 1,383,614	\$ 872.39	\$ 854.09	
Aug-11	1,580	\$ 328,944	\$ 1,351,737	\$ 1,680,681	\$ 1,063.72	\$ 880.08	
Sep-11	1,574	\$ 299,949	\$ 1,451,518	\$ 1,751,467	\$ 1,112.75	\$ 905.66	
Oct-11	1,573	\$ 307,176	\$ 1,338,927	\$ 1,646,103	\$ 1,046.47	\$ 919.60	
Nov-11	1,572	\$ 366,770	\$ 1,107,984	\$ 1,474,754	\$ 938.14	\$ 921.27	
Dec-11	1,573	\$ 335,933	\$ 1,874,194	\$ 2,210,127	\$ 1,405.04	\$ 961.24	
Jan-12	1,563	\$ 335,052	\$ 1,080,833	\$ 1,415,885	\$ 905.88	\$ 905.88	
Feb-12	1,564	\$ 346,819	\$ 918,490	\$ 1,265,309	\$ 809.02	\$ 857.43	
Mar-12	1,560	\$ 331,060	\$ 1,022,739	\$ 1,353,799	\$ 867.82	\$ 860.89	
Apr-12	1,552	\$ 340,152	\$ 998,832	\$ 1,338,984	\$ 862.75	\$ 861.35	
May-12	1,550	\$ 347,234	\$ 1,103,937	\$ 1,451,171	\$ 936.24	\$ 876.25	
Jun-12	1,545	\$ 318,482	\$ 966,327	\$ 1,284,809	\$ 831.59	\$ 868.86	
Jul-12	1,542	\$ 359,094	\$ 1,324,546	\$ 1,683,640	\$ 1,091.85	\$ 900.48	
Aug-12	1,540	\$ 344,089	\$ 1,316,793	\$ 1,660,882	\$ 1,078.49	\$ 922.56	
Sep-12	1,535	\$ 306,730	\$ 735,798	\$ 1,042,528	\$ 679.17	\$ 895.78	
Oct-12	1,539	\$ 335,202	\$ 802,933	\$ 1,138,135	\$ 739.53	\$ 880.25	
Nov-12	1,539	\$ 303,005	\$ 1,109,110	\$ 1,412,115	\$ 917.55	\$ 883.63	
Dec-12	1,535	\$ 332,002	\$ 902,216	\$ 1,234,218	\$ 804.05	\$ 877.05	
2008	19,667	\$ 3,293,464	\$ 8,335,798	\$ 11,629,262	\$ 591.31		
2009	19,648	\$ 3,381,800	\$ 10,166,283	\$ 13,548,083	\$ 689.54		16.6%
2010	19,491	\$ 3,512,331	\$ 10,987,285	\$ 14,499,616	\$ 743.91		7.9%
2011	19,036	\$ 3,755,584	\$ 14,542,629	\$ 18,298,213	\$ 961.24		29.2%
2012	18,564	\$ 3,998,921	\$ 12,282,552	\$ 16,281,473	\$ 877.05		-8.8%
FY 2009/10	19,543	\$ 3,483,433	\$ 10,887,639	\$ 14,371,071	\$ 735.36		
FY 2010/11	19,114	\$ 3,643,060	\$ 13,415,855	\$ 17,058,915	\$ 892.48		21.4%
FY 2011/12	18,669	\$ 4,038,591	\$ 13,789,399	\$ 17,827,990	\$ 954.95		7.0%

**City of Miami Beach
Health Plan Experience by Plan and Enrollee Class**

Plan	Class	Period	Average Enrollees		Premium Rate		Premium	Claims	Fixed Costs	Total Expense	Loss Ratio	
			EE	Family	EE	Family						
Standard HMO	Active	2010	505	364	\$ 357.59	\$ 886.31	\$6,044,617	\$5,718,301	\$742,583	\$6,460,884	106.9%	
		2011	485	375	\$ 393.35	\$ 974.94	\$6,670,677	\$8,664,637	\$802,399	\$9,467,036	141.9%	
		2012	493	378	\$ 458.76	\$1,137.07	\$7,868,362	\$6,287,034	\$971,622	\$7,258,655	92.3%	
		Subtotal	494	372			\$20,583,657	\$20,669,971	\$2,516,603	\$23,186,575	112.6%	
	Pre 65 Retiree	2010	48	24	\$ 357.59	\$ 886.31	\$462,629	\$362,160	\$59,616	\$421,777	91.2%	
		2011	50	36	\$ 393.35	\$ 974.94	\$652,498	\$1,277,341	\$79,260	\$1,356,601	207.9%	
		2012	62	41	\$ 458.76	\$1,137.07	\$898,043	\$1,458,062	\$113,215	\$1,571,276	175.0%	
		Subtotal	53	34			\$2,013,169	\$3,097,563	\$252,091	\$3,349,654	166.4%	
	Premium HMO	Active	2010	67	53	\$ 590.59	\$1,463.86	\$1,400,842	\$1,892,387	\$102,803	\$1,995,190	142.4%
			2011	61	48	\$ 649.65	\$1,610.25	\$1,402,398	\$1,535,101	\$101,872	\$1,636,973	116.7%
2012			52	32	\$ 757.68	\$1,878.02	\$1,195,862	\$1,581,059	\$92,107	\$1,673,166	139.9%	
		Subtotal	60	44			\$3,999,102	\$5,008,547	\$296,782	\$5,305,329	132.7%	
Pre 65 Retiree		2010	76	42	\$ 590.59	\$1,463.86	\$1,279,897	\$1,642,260	\$98,631	\$1,740,892	136.0%	
		2011	70	40	\$ 649.65	\$1,610.25	\$1,311,197	\$2,373,096	\$99,354	\$2,472,450	188.6%	
		2012	64	35	\$ 757.68	\$1,878.02	\$1,371,819	\$1,829,782	\$107,267	\$1,937,050	141.2%	
		Subtotal	70	39			\$3,962,913	\$5,845,139	\$305,253	\$6,150,392	155.2%	
Standard PPO		Active	2010	33	11	\$ 698.90	\$1,714.73	\$507,489	\$202,216	\$35,422	\$237,638	46.8%
			2011	31	17	\$ 768.79	\$1,886.20	\$663,579	\$851,407	\$43,018	\$894,425	134.8%
	2012		27	8	\$ 896.63	\$2,199.86	\$502,998	\$751,856	\$36,019	\$787,874	156.6%	
		Subtotal	30	12			\$1,674,065	\$1,805,479	\$114,459	\$1,919,937	114.7%	
	Pre 65 Retiree	2010	25	16	\$ 698.90	\$1,714.73	\$529,943	\$395,265	\$34,129	\$429,394	81.0%	
		2011	21	16	\$ 768.79	\$1,886.20	\$554,419	\$283,729	\$34,505	\$318,235	57.4%	
		2012	24	14	\$ 896.63	\$2,199.86	\$631,309	\$1,090,946	\$41,488	\$1,132,434	179.4%	
		Subtotal	23	15			\$1,715,671	\$1,769,940	\$110,122	\$1,880,062	109.6%	
	Post 65 Retiree	2010	37	33	\$ 534.63	\$1,155.88	\$689,410	\$427,301	\$60,385	\$487,686	70.7%	
		2011	42	39	\$ 588.09	\$1,283.58	\$891,174	\$527,086	\$76,554	\$603,640	67.7%	
2012		42	43	\$ 685.89	\$1,489.89	\$1,114,236	\$578,635	\$97,549	\$676,184	60.7%		
	Subtotal	40	38			\$2,694,820	\$1,533,021	\$234,489	\$1,767,510	65.6%		
Premium PPO	Active	2010	19	5	\$1,186.35	\$2,910.64	\$441,567	\$574,683	\$18,808	\$593,491	134.4%	
		2011	14	3	\$1,304.99	\$3,201.70	\$326,670	\$101,324	\$13,927	\$115,251	35.3%	
		2012	8	3	\$1,522.00	\$3,734.12	\$271,408	\$131,596	\$11,051	\$142,647	52.6%	
		Subtotal	13	4			\$1,039,645	\$807,603	\$43,787	\$851,390	81.9%	
	Pre 65 Retiree	2010	36	11	\$1,186.35	\$2,910.64	\$886,789	\$992,858	\$37,230	\$1,030,088	116.2%	
		2011	31	8	\$1,304.99	\$3,201.70	\$767,084	\$559,523	\$32,348	\$591,871	77.2%	
		2012	26	4	\$1,522.00	\$3,734.12	\$662,950	\$511,457	\$29,764	\$541,220	81.6%	
		Subtotal	31	8			\$2,316,824	\$2,063,837	\$99,342	\$2,163,179	93.4%	
	Post 65 Retiree	2010	110	61	\$ 907.46	\$1,962.05	\$2,636,644	\$1,687,539	\$143,047	\$1,830,587	69.4%	
		2011	102	53	\$ 998.21	\$2,178.82	\$2,614,255	\$1,410,978	\$139,827	\$1,550,805	59.3%	
2012		96	45	\$1,164.21	\$2,529.03	\$2,694,801	\$1,223,380	\$149,729	\$1,373,109	51.0%		
	Subtotal	103	53			\$7,945,701	\$4,321,897	\$432,604	\$4,754,501	59.8%		
POS	Active	2010	5	6	\$ 658.12	\$1,632.95	\$161,958	\$137,926	\$10,060	\$147,986	91.4%	
		2011	2	8	\$ 723.93	\$1,796.25	\$186,249	\$273,620	\$10,567	\$284,187	152.6%	
		2012	4	6	\$ 844.31	\$2,094.95	\$175,416	\$239,695	\$10,880	\$250,575	142.8%	
		Subtotal	4	6			\$523,624	\$651,240	\$31,507	\$682,747	130.4%	
	Pre 65 Retiree	2010	8	5	\$ 658.12	\$1,632.95	\$166,055	\$352,731	\$11,222	\$363,953	219.2%	
		2011	9	4	\$ 723.93	\$1,796.25	\$161,509	\$308,157	\$11,290	\$319,446	197.8%	
		2012	9	4	\$ 844.31	\$2,094.95	\$186,677	\$413,320	\$13,340	\$426,659	228.6%	
		Subtotal	8	4			\$514,241	\$1,074,207	\$35,852	\$1,110,059	215.9%	
	Post 65 Retiree	2010	12	7	\$ 511.15	\$1,105.17	\$168,816	\$113,989	\$16,035	\$130,023	77.0%	
		2011	14	8	\$ 562.27	\$1,227.27	\$215,961	\$132,215	\$20,263	\$152,478	70.6%	
2012		15	12	\$ 655.77	\$1,424.54	\$319,554	\$184,653	\$29,988	\$214,641	67.2%		
	Subtotal	14	9			\$704,332	\$430,857	\$66,286	\$497,143	70.6%		

**City of Miami Beach
Health Plan Experience by Plan and Enrollee Class**

Plan	Class	Period	Average Enrollees		Premium Rate		Premium	Claims	Fixed Costs	Total Expense	Loss Ratio
			EE	Family	EE	Family					
City of Miami Beach Health Plan Experience by Plan and Enrollee Class											

Total 2010		2010	979	639		\$15,376,656	\$14,499,616	\$1,369,971	\$15,869,586	103.2%
Total 2011		2011	931	653		\$16,417,671	\$18,298,213	\$1,465,185	\$19,763,398	120.4%
Total 2012		2012	921	624		\$17,893,437	\$16,281,473	\$1,704,019	\$17,985,493	100.5%
2010 - 2012 YTD		Total	944	639		\$49,687,764	\$49,079,302	\$4,539,175	\$53,618,477	107.9%

Subtotal By Plan											
Standard HMO		2010	553	389		\$6,507,246	\$6,080,461	\$802,199	\$6,882,660	105.8%	
		2011	535	410		\$7,323,175	\$9,941,978	\$881,659	\$10,823,637	147.8%	
		2012	555	418		\$8,766,405	\$7,745,095	\$1,084,836	\$8,829,932	100.7%	
		Subtotal		548	406		\$22,596,826	\$23,767,534	\$2,768,695	\$26,536,229	117.4%
Premium HMO		2010	142	95		\$2,680,739	\$3,534,647	\$201,434	\$3,736,082	139.4%	
		2011	131	88		\$2,713,595	\$3,908,197	\$201,227	\$4,109,423	151.4%	
		2012	117	67		\$2,567,682	\$3,410,842	\$199,374	\$3,610,215	140.6%	
		Subtotal		130	83		\$7,962,015	\$10,853,686	\$602,035	\$11,455,720	143.9%
Standard PPO		2010	94	60		\$1,726,841	\$1,024,782	\$129,935	\$1,154,717	66.9%	
		2011	94	71		\$2,109,172	\$1,662,222	\$154,078	\$1,816,300	86.1%	
		2012	93	65		\$2,248,543	\$2,421,437	\$175,057	\$2,596,493	115.5%	
		Subtotal		94	65		\$6,084,557	\$5,108,440	\$459,070	\$5,567,510	91.5%
Premium PPO		2010	165	77		\$3,965,001	\$3,255,081	\$199,085	\$3,454,166	87.1%	
		2011	146	64		\$3,708,009	\$2,071,825	\$186,102	\$2,257,928	60.9%	
		2012	129	52		\$3,629,160	\$1,866,432	\$190,544	\$2,056,977	56.7%	
		Subtotal		147	64		\$11,302,170	\$7,193,338	\$575,732	\$7,769,070	68.7%
POS		2010	25	19		\$496,830	\$604,645	\$37,317	\$641,962	129.2%	
		2011	25	20		\$563,719	\$713,992	\$42,119	\$756,111	134.1%	
		2012	27	21		\$681,648	\$837,667	\$54,208	\$891,876	130.8%	
		Subtotal		26	20		\$1,742,197	\$2,156,304	\$133,644	\$2,289,948	131.4%

Total By Enrollee Class											
Active		2010	628	440		\$8,556,474	\$8,525,513	\$909,675	\$9,435,188	110.3%	
		2011	593	450		\$9,249,573	\$11,426,088	\$971,784	\$12,397,872	134.0%	
		2012	584	426		\$10,014,047	\$8,991,239	\$1,121,678	\$10,112,918	101.0%	
		Subtotal		601	439		\$27,820,093	\$28,942,840	\$3,003,137	\$31,945,978	114.8%
Pre MC Retirees		2010	192	98		\$3,325,313	\$3,745,274	\$240,829	\$3,986,103	119.9%	
		2011	180	103		\$3,446,707	\$4,801,845	\$256,758	\$5,058,604	146.8%	
		2012	185	98		\$3,750,798	\$5,303,567	\$305,073	\$5,608,640	149.5%	
		Subtotal		186	100		\$10,522,818	\$13,850,686	\$802,660	\$14,653,346	139.3%
MC Retirees		2010	159	101		\$3,494,870	\$2,228,829	\$219,467	\$2,448,296	70.1%	
		2011	158	100		\$3,721,391	\$2,070,279	\$236,643	\$2,306,923	62.0%	
		2012	153	99		\$4,128,592	\$1,986,667	\$277,267	\$2,263,935	54.8%	
		Subtotal		157	100		\$11,344,853	\$6,285,775	\$733,378	\$7,019,153	61.9%